

SENATE BILL REPORT

SB 5416

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, February 18, 2009

Title: An act relating to business continuity plans for domestic insurers.

Brief Description: Expanding the scope of business continuity plans for domestic insurers.

Sponsors: Senators Berkey, Franklin and Shin; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 2/03/09, 2/18/09 [DPS, w/oRec].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 5416 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin and McDermott.

Minority Report: That it be referred without recommendation.

Signed by Senators Parlette and Schoesler.

Staff: Diane Smith (786-7410)

Background: The insurance code provides that domestic insurers and fraternal benefit societies may adopt by emergency bylaw provisions for their continued operation during national emergencies. This may also include a provision for alternate locations of the principal office and for succession in the event of the death or incapacity of officers. If a domestic insurer fails to make these provisions, then the code provides a mandatory mechanism by which these insurers continue to operate when a national emergency occurs.

An insurer is defined as every person engaged in the business of making contracts of insurance, other than a fraternal benefit society, including reciprocal or interinsurance exchanges. Insurers do not include self-insurance by hospital, local governmental, or commercial fishing insurance pools.

An issuer is defined as an insurer, fraternal benefit society, certified health plan, health maintenance organization, and health care service contractor.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill (Recommended Substitute): Those entities currently defined as issuers are domestic "insurers" for purposes of contingency plans for emergencies. They are allowed to adopt their own provisions for continued operation during state and local, as well as national, emergencies. If they fail to do so, and a state, local, or national emergency occurs, then the existing code provisions apply to their operations during these emergencies.

All domestic insurers, called insurers in the rest of the Insurance Code, must create and maintain a written business continuity plan. This plan must address procedures relating to local, state or national emergency, or significant business disruption.

The Office of Insurance Commissioner (OIC) must adopt rules setting standards for insurers and producers to follow for business continuity planning.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute): All prescriptive language for the content of business continuity plans is removed, including that for written disclosures being mailed to policy holders. The OIC must adopt rules that set standards for business continuity planning.

These rules must apply both to insurers and insurance producers.

The effective date is delayed until January 1, 2011.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2011.

Staff Summary of Public Testimony on Original Bill: PRO: This bill is needed because the Insurance Commissioner examined health care insurers and found that they did not tend to have these business continuity plans. Property and casualty insurers do have the plans.

OTHER: Clarification is requested because of the mailing requirement. There are other ways to approach notification of the policy holders.

Persons Testifying: PRO: Drew Bouton, Office of Insurance Commissioner.

OTHER: Mel Sorenson, Property Casualty Insurers Association.